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C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000755

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SUBJECT: SYRIAN PRESIDENT LAUNCHES SECOND TERM WITH FOCUS
ON SECURITY, THE GOLAN

Classified By: Charge d'Affaires Michael H. Corbin for reasons 1.4 b/d

¶1. (C) Summary: Despite the focus on domestic issues in Syrian President Bashar al-Assad's July 17 second-term inaugural speech, contacts have concluded that the speech was most significant in its reference to Syrian-Israeli negotiations. Asad used the speech to respond to Israeli PM Olmert's July 10 comments to al-Arabiya television in which Olmert said he was ready to sit down with the Syrian President for direct talks, according to one Syrian analyst. Asad called on the Israelis to make a public declaration of their desire for peace and to offer guarantees about the return of all the Golan, to be followed by the negotiations via a mediator state. The domestic portion of the 90-minute speech made clear that Asad is aware of Syrian discontent with the slow pace of economic and political reforms but still considers national security to be the first priority. Asad made reference to the next few months being crucial to the destiny and future of domestic reforms, the region and perhaps the world, which was a veiled reference to Syrian speculations about U.S. policy toward Iran, according to one analyst. Most diplomatic and local observers emphasized that the speech, by avoiding contentious foreign policy issues, was designed to avoid causing controversy (as opposed to Asad's August 2006 "half-men" speech.) End Summary.

¶2. (C) RESPONDING TO THE ISRAELIS: Syrian President Bashar al-Assad was sworn in for a second seven-year term on July 17, followed by a 90-minute speech that largely focused on domestic policy issues but was most significant for its discussion of the Syrian view toward negotiations with Israel. Asad called on the Israelis to make a public declaration of their desire for peace and to offer guarantees about the return of all of the Golan, which would subsequently be followed by the negotiations via a mediator state.

¶3. (C) Asad used the speech to respond clearly and precisely to Israeli PM Olmert's July 10 comments on al-Arabiya in which Olmert said he was ready to sit down with the Syrian President for direct talks, according to Syrian analyst Samir al-Taqi, who is close to FM Walid Mu'allim. Unlike many other parts of the flowery speech, the portion on Israel was carefully formulated for clarity, Al-Taqi asserted. Asad responded to Olmert's comments at least in part due to requests from Turkish officials spearheading mediation efforts between the two countries, asserted al-Taqi who noted that Turkish envoy Ambassador Ahmet Davutoglu, a senior advisor on foreign affairs to the Turkish PM, had visited Damascus as recently as last week. The Syrian President also used his public comments on the Golan to underscore Syria's bottom line with the Israelis (a full return of Syrian land

for peace), as well as to condition the Syrian public for the possibility of talks with Israel, according to Al-Hayat correspondent Ibrahim Hamidi. Another contact noted, however, that Asad was setting an additional condition when he said "we will determine where the 1967 border lies."

¶4. (C) DOMESTIC ISSUES--THE ECONOMY: As Asad had promised in his May 10 speech before the newly elected People's Assembly, the majority of his July 17 90-minute inaugural speech focused on domestic issues while failing to offer anything in the way of new initiatives. On the economic front, Asad took a populist "man of the people approach" reflecting the public's desire for long-rumored public wage increases -- without providing specifics on when or if such increases would occur in the near future. Separately, Asad rejected (to long applause and laughter) public rumors of the lifting of subsidies by noting that "the only way through which we can cancel subsidies to citizens will perhaps be based on a UN Security Council resolution under Chapter Seven." Additionally, Asad noted the issuance of "hundreds of laws and decisions" that aimed to advance the Syrian economy, and offered numerous economic statistics as proof that Syria is progressing economically. He underscored that this progress had been achieved despite U.S. policies--including sanctions--and other outside pressures that hinder the implementation of such reforms. Asad also sought to tackle public dissatisfaction about corruption, claiming on one hand that his administration had effectively dealt with high-level government corruption, while on the other hand suggesting that marketplace corruption was a sign of Syria's economic expansion.

¶5. (C) DOMESTIC ISSUES--POLITICAL REFORM: Similar to his June 2005 speech at the opening of the 10th Ba'ath Party

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Congress, Asad also addressed sensitive domestic political issues, including a new political parties law and a solution to the 1962 census which led to the denial of Syrian nationality for many Kurds in Syria. He revived an earlier idea of creating a Shura Council, which would complement the People's Assembly, and hinted at changes to the existing media law. He also mentioned the possibility of expanding the coalition of pro-regime parties known as the National Progressive Front. While promising continued efforts at political reform, Asad made it clear that security continues to take precedence over domestic political and economic reforms. "As for political priorities, I said at the beginning that the priority is the economy because of the citizens' need. But what is the importance of the economy if there is no stability?"

¶6. (C) OTHER ISSUES: In generally restrained comments on foreign policy issues, Asad made only passing reference to Lebanon, called for Palestinian unity, and made no mention of Iraqi refugees in Syria. Many observers noted this was a sign that Asad was striving to avoid controversy. When asked about the absence of any reference to the presence of more than 1.4 million Iraqi refugees, Al-Hayat's Hamidi posited that Asad was caught between public discontent over rising prices and growing social problems and his desire to maintain Syria's status as the champion of pan-Arabism. "What could he say?" asked Hamidi, echoing the reaction of Syrian analyst Riad Abrash. In the midst of the domestic portion of the speech, Asad made reference to the next few months being crucial to the destiny and future of the region and perhaps the world, which was a veiled reference to the ripple effect of possible U.S. actions against Iran, according to Al-Taqi.

¶7. (C) Public reaction following the speech has generally been muted. One American analyst, Josh Landis, who spends his summers in Damascus, asserted that the speech played well with the public, particularly the lower classes. Hamidi speculated about a more mixed reaction among the lower classes, ranging between dissatisfaction over the lack of a stopgap for economic hardships and relief over the promise to

maintain subsidies. Government opponents who spoke to an Embassy FSN expressed more critical views. A member of the Damascus Declaration (DD) opposition group noted that Asad has failed to deliver on promises made at his 2000 inauguration and again at the 2005 Ba'ath Congress. The DD member dismissed Asad's claim that outside pressures hinder internal reform, asserting that such pressures could only be faced through stronger civil society institutions and more openness. A Kurdish advocate decried what he called Asad's simplification of Kurdish issues to the 1962 census, which failed to take into account other Kurdish demands. Al-Taqi observed that Asad was less pointed than some had expected him to be on domestic issues, despite what Al-Taqi characterized as Asad's frustration over the Ba'ath Party's poor handling of the Parliamentary elections and internal reforms generally.

¶8. (C) Asad looked relaxed and confident as he delivered, moving easily from his notes to long stretches of extemporaneous speaking. Several contacts have indicated that Asad spent weeks drafting his address, with one contact asserting that Syrian VP Farouk al-Sha'ara had very little role in the drafting whereas significant input came from National Security advisor Mohammed Nassif Kheirbek.

¶9. (C) Comment: On foreign policy, Asad had clearly thought through his response to Olmert's comments. While he was not ready to take a dramatic such as reaching out for immediate and direct meetings with the Israelis, he indicated his willingness to move forward on the issue with the help of trusted intermediaries. On domestic policy, Asad's speech acknowledged public dissatisfaction over rising costs, corruption, and the slow pace of meaningful reforms, particularly economic ones but failed to deliver any concrete new initiatives that offer the prospect of long term relief for Syrians, either economically or politically.

CORBIN